

Impact of Budgeting and Expenses Tracking on Financial Discipline: An Empirical Study of Individual Financial Behaviour

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Abstract:

Financial discipline plays a vital role in ensuring individual financial stability and long-term economic well-being. In today's environment of increasing living costs, easy access to credit, and changing consumption patterns, effective budgeting and expense tracking have become essential financial management practices. However, many individuals continue to face challenges in managing their finances due to inadequate planning and poor monitoring of expenses. This study aims to examine how budgeting and expense tracking practices influence financial discipline among individuals.

The study adopts a quantitative research approach using a structured questionnaire to collect primary data from individual respondents. A convenience sampling technique will be employed to gather responses from participants representing different age groups, occupations, and income levels. The questionnaire consists of demographic questions and statements measuring budgeting practices, expense tracking behaviour, and financial discipline using a five-point Likert scale. The collected data shall be analysed using, correlation analysis, regression analysis, and ANOVA to examine relationships, test hypotheses, and identify differences across demographic groups.

The expected findings of the study suggest that individuals who consistently prepare budgets and regularly monitor their expenses are likely to demonstrate higher levels of financial discipline, including better spending control, timely bill payments, improved saving habits, and responsible financial decision-making. The study is also expected to reveal the relative influence of budgeting and expense tracking on financial discipline while highlighting demographic variations in financial behaviour. The findings are expected to contribute to the existing literature on personal financial management and provide practical insights for individuals, financial educators, policymakers, and financial institutions to promote effective financial planning practices and enhance financial well-being.

Introduction:

The management of finances has become one of the major problems for many individuals around the globe nowadays. In the last couple of decades, there appeared lots of innovations in the sphere of finances. The

payment by means of digital banks, mobile wallets, credit cards, “buy now, pay later” services, and online shopping have replaced the traditional method of payments, which was based on cash. As a result, the need to purchase goods immediately arises due to the appearance of all these innovations instead of the cash. Moreover, there is a problem of complicated financial services, unpredictable incomes of many people, including gig workers, and the lifestyle inflation due to the influence of social networks and consumerism.

In this instance, budgeting can be considered as the cognitive and behavioural process of organizing, planning and management of one's own financial behaviour. Budgeting can be regarded as the process of mental accounting, when people divide their expenditures and income into separate mental accounts and treat them as distinct types of resources. According to Shefrin, people allocate their resources according to such categories as current income, current assets and future income, and each category has its own consumption propensity. As a consequence of the unreplenishable character of mental accounts, the budget structure can influence the behaviour related to money management impulsive spending or savings for the future. One more concept that is connected with budgeting is the expense tracking when people manage their expenditures based on the budgeting plan either by accounting expenditures in the book or mentally. Unlike budgeting, which is the process of future planning, the expense tracking is the process of past checking one's own finances. The relationship between expense tracking and reduction of discretionary spending and budget slack has been established by researchers with the use of financial tracking application. (Amalia, (2025))

Research Objectives:

- To analyse the impact of budgeting on financial discipline.
- To evaluate the relationship between expense tracking and saving or spending behaviour.

Review of Literature:

1. (Peetz, (2021)) This study examined how income uncertainty and personal control affect financial planning decisions. The researchers found that people with unstable income often face difficulty in managing savings and expenses properly. Individuals who believed they had better control over their lives showed stronger financial planning behaviour. The study highlights the importance of psychological confidence in handling money matters. It also explains that financial planning is influenced not only by income but also by mindset.
2. (Sehrawat, (2021)) The research focused on understanding financial well-being among individuals. It showed that financial literacy, positive financial attitude and good money management practices improve overall financial well-being. The authors emphasized that awareness about finance helps people make smarter decisions. The study also suggested that behavioural habits play an important role in financial security. It provides useful insights into financial wellness in the Indian context.
3. (Lukas, (2023)) This study explored how budgeting influences consumer spending behaviour. The findings revealed that people who regularly maintain budgets tends to spend more carefully and avoid unnecessary purchases. Budgets help individuals monitor their expenses and improve self-control. The

study also found that budgeting increases awareness of financial limits. Overall, budgeting was shown to be an effective tool for improving spending habits.

4. (Ismail, (2017)) The researchers studied the role of financial self-efficacy in predicting financial behaviour. The study found that individuals with greater confidence in managing finances are more likely to practice good financial habits. Financial self-efficacy positively influenced saving, budgeting, and spending behaviour. The authors concluded that confidence and knowledge together improve financial management. The research highlights the psychological side of financial decision-making.
5. (She L, (2022)) This study investigated the relationship between psychological beliefs and financial well-being among working adults. The findings showed that financial behaviour acts as a bridge between beliefs and financial satisfaction. Positive financial habits such as saving and budgeting improved financial well-being significantly. The study also explained that psychological factors influence how individuals manage money. It emphasizes the importance of responsible financial behaviour in achieving financial stability.
6. (PamellaC.D, (2022)) The study examined how financial literacy, attitude, income and locus of control affect financial management behaviour among millennials. Results showed that financially literate individuals manage money more effectively. A positive attitude toward money and higher income levels also contributed to better financial decisions. The research highlighted that self-control plays a major role in financial planning. It concluded that financial education is important for millennials.
7. (Arora, (2022).) This research analysed personal financial management behaviour through digital platforms. The study found that digital tools help users track expenses, manage budgets, and improve financial awareness. Online financial applications were especially useful for young consumers. The authors also discussed different areas of digital financial management. The study shows how technology is changing financial behaviour in modern society.
8. (Putri, (2024)) The study focused on the influence of financial literacy and discipline on budgeting skills. Findings showed that people with strong financial discipline prepare budgets more effectively. Financial literacy also improved understanding of spending and saving patterns. The research highlighted that disciplined financial habits reduce unnecessary expenses. Overall, budgeting skills were closely linked to financial awareness and responsibility.

Research Gap:

- There is a lack of research on how budgeting practices and expense tracking impact financial discipline together.
- The current research on the topic focuses predominantly on students, with no attention paid to financial decisions made by professionals.
- Single psychological factors influencing financial discipline (self-control, locus of control, financial socialization) are investigated independently of each other.
- Difficulties in understanding the exact mechanisms (planning vs. monitoring) responsible for greater financial discipline

Hypothesis:

H0₁: There is no significant relationship between expense-tracking practices and saving/spending behaviour among individuals.

H1₁: There is a significant relationship between expense-tracking practices and saving/spending behaviour among individuals.

H0₂: Expense review frequency and perceived budgeting control have no significant influence on the financial discipline of individuals.

H1₂: Expense review frequency and perceived budgeting control have a significant influence on the financial discipline of individuals.

Research Methodology:

Research Design: Convenience Sampling Design

Nature of data: Primary

Sample size: 162 respondents

For analysing the impact of budgeting on financial discipline, Regression Analysis was used to test the extent to which budgeting habits predict financial discipline among individuals. For evaluating the relationship between expense tracking and saving/spending behaviour, Pearson's Correlation Coefficient was used to examine the strength and direction of the relationship between expense-tracking practices and saving/spending behaviour among individuals.

Data Analysis and Interpretation for Regression

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.482 ^a	0.232	0.223	0.739

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.253	2	13.127	24.062	<.001 ^b
	Residual	86.741	159	0.546		
	Total	112.99	161			

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.06	0.285		7.22	0
	I regularly follow the budget I prepare.	0.289	0.077	0.312	3.742	0
	I allocate a specific amount for savings in my budget.	0.219	0.079	0.233	2.786	0.006

Interpretation

The regression model was statistically significant ($R = 0.482$, $R^2 = 0.232$, $F = 24.06$, $p < .001$), with budgeting habits explaining 23.2% of the variance in financial discipline. Both "regularly following the budget I prepare" ($\beta = 0.312$, $p < 0.001$) and "allocating a specific amount for savings" ($\beta = 0.233$, $p = 0.006$) significantly and positively predicted financial discipline, with the former being the stronger driver. Since $p < 0.05$ for the overall model and both predictors, the null hypothesis is rejected and the alternative accepted. budgeting habits have a significant positive impact on financial discipline. This suggests consistency in following a budget matter more than simply preparing one.

Data Analysis and Interpretation for Correlation

Correlations			
		[I compare my actual expenses with planned expenses.]	[I am confident in managing my personal finances.]
[I compare my actual expenses with planned expenses.]	Pearson Correlation	1	.367***
	Sig. (2-tailed)		0.000
	N	162	162
[I am confident in managing my personal finances.]	Pearson Correlation	.367***	1
	Sig. (2-tailed)	0.000	

	N	162	162
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Interpretation:

A Pearson correlation was conducted between "comparing actual expenses with planned expenses" and "confidence in managing personal finances," using data from all 162 respondents. The result showed a correlation coefficient of $r = 0.367$, Sig. (2-tailed) = 0.000, which is statistically significant ($p < 0.05$). This indicates a positive, moderate-strength relationship between expense-tracking practices and saving/spending behaviour. Individuals who compare their actual expenses against planned expenses more consistently tend to report higher confidence in managing their personal finances. Since the p-value is significant, the null hypothesis is rejected and the alternative hypothesis is accepted, confirming a significant relationship between expense-tracking practices and saving/spending behaviour among individuals.

Overall Findings:

- Budgeting habits were found to have a significant, positive impact on financial discipline ($R = 0.482$, $R^2 = 0.232$, $F = 24.06$, $p < 0.001$).
- Among the budgeting predictors, "regularly following the budget I prepare" ($\beta = 0.312$, $p < 0.001$) emerged as the stronger driver of financial discipline.
- "Allocating a specific amount for savings in the budget" ($\beta = 0.233$, $p = 0.006$) also significantly contributed to financial discipline, though to a lesser extent.
- Expense-tracking practices showed a significant, moderate positive relationship with saving/spending behaviour ($r = 0.367$, $p < 0.001$).
- Individuals who more consistently compared their actual expenses with planned expenses reported greater confidence in managing their personal finances.
- In both cases, the null hypotheses were rejected and the alternative hypotheses accepted, confirming statistically significant relationships.

Conclusion:

- Both budgeting and expense-tracking practices play a meaningful, measurable role in shaping individuals' financial behaviour.
- Budgeting contributes more directly to financial discipline, particularly through consistent follow-through rather than mere preparation.
- Expense tracking contributes more toward saving/spending confidence, reinforcing individuals' sense of control over their finances.
- Together, the two practices support financial well-being through complementary mechanisms one through planning and adherence, the other through monitoring and awareness.
- The results suggest that individuals aiming to build stronger financial discipline should focus not just on creating a budget or occasionally tracking expenses, but on practicing both consistently over time.

- These findings also imply that financial literacy programs and budgeting tools would benefit from emphasizing habit consistency, rather than one-time setup or adoption alone.

Limitations of the Study:

1. This sample was selected from the researcher's own social network as well as friends of the researcher through convenience and purposive sampling. hence, the results may be reflective of the traits unique to the social network (including age, education and social profile), and thus the results cannot be generalized to the general population.
2. The research only considers those people who budget, and therefore, the results cannot be applied to those who do not budget at all.
3. The data was obtained from the answers of the questionnaires which were filled by the respondents themselves and hence, the responses can have an element of personal bias in them.
4. The research is cross-sectional in nature in that it captures the behaviour of the respondents at a single point of time and does not tell how the behaviour of budgeting and tracking and financial discipline changes over time.

Suggestions:

- Future research should consider using a large sample size with diversity, obtained through probability sampling techniques, in order to ensure that the results can be generalized.
- Future research should consider including people who do not do any budgeting as a control group in order to distinguish the impact of budgeting on financial discipline from other factors.
- Longitudinal research design would be helpful in the future as it will provide the researcher with an opportunity to see how budgeting and expense monitoring impacts financial discipline in the long run.
- Other psychological variables such as self-control, financial stress, or impulsivity could be further investigated in future research, because the current research focused on a narrow selection of variables

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